

STATEMENT OF READ C. VAN DE WATER
ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF TRANSPORTATION

before the

SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

on

FLIGHT-100, Small Community Transportation Service

April 10, 2003

Good morning Mr. Chairman and members of the Committee. I am pleased to be here today to discuss more fully the Administration's Flight-100 reauthorization proposal for small community transportation service. My experience involving what is now the Essential Air Service Program has reinforced for me the absolute need to reform how the government supports small community transportation. Without fundamental changes to the way in which the Federal Government addresses these transportation issues, communities will have little, if any, control over the service that is provided – the service in many cases may only be partially responsive to the community needs. Moreover, there is no doubt that it will be increasingly more expensive for the government to support those services. Even before September 11, which affected air service throughout the country, including smaller communities, the costs under the EAS program had grown substantially, but use of the services was generally poor. Since September 11, we have received 44 notices by carriers to terminate the last service at a community, most of them triggering first-time EAS subsidy.

In Flight-100, the Administration has proposed a comprehensive new program for small community transportation service that changes both the dynamics and the participants in the process. The key substantive reforms in the program go to the heart of what has been recognized as a significant omission in how we address small community transportation-- participation by the communities involved.

Under our proposal, communities will:

Participate directly in developing a plan for responding to their transportation needs. Throughout the history of the Essential Air Service program, the Federal Government has determined what service the community would receive. Under our proposed reforms for small community transportation service, communities will have a leadership role in designing the transportation service that will best meet their individual community's needs. Communities themselves are in the best position to know their needs and their ability to support the services to meet those needs. By participating in the design of the services provided, the community and the government can help ensure more effective decisions on how best to address the community's needs. Our experience with

the Small Community Air Service Development Pilot Program has confirmed the strong desire of communities to be active participants in this process. The GAO report on small community service also emphasized that service initiatives were most successful where the communities had active participation in the solutions and were committed to those solutions.

Have flexibility in meeting transportation needs. Traditionally, under the EAS program there has been a “one size fits all” service plan. In the early stages of the EAS program, that system actually worked well and, more often than not, was responsive to the needs of most small communities. As a result of the growth and evolution of air service since then, including expanded hub-and-spoke systems, the more recent growth of low-fare carrier services, and changes in regional air carrier services, this model is no longer a universal template. Our proposal provides communities a broader range of options available to address their air service needs, including less frequent or charter type service, use of smaller aircraft better matched to the actual demand for service, ground service alternatives, and regional service initiatives where several communities could be served through one airport, but with larger aircraft or more frequent flights. Again, our experience with the Pilot Program has been very instructive. Many communities recognize that their needs have changed and that a broader range of options may be the difference between successful service and service that is rarely used. Greater flexibility will make it possible for communities and the government to respond more effectively and efficiently with the service that the community needs.

Participate financially in the service plan. We believe that services at small communities will be more effective if the community is a full partner with the government. In addition to participating in the design of the service provided, this also involves support for that service--support not only in ridership, but also financially. As a stakeholder in the transportation, the community gains greater control over how the service is provided and its potential for success. The amount of community contribution would be determined by the degree of isolation. Our proposal calls for a sliding scale for financial contributions to the service with the most remote communities contributing at a lower level and the least isolated contributing at a higher level. While this has been the most criticized aspect of the proposal, the Pilot Program has shown that communities are able **and** willing to participate financially in their transportation services. In last year’s grant process, over 70 percent of the communities were prepared to contribute **at least** 10 percent of the cost of the proposed initiative. Nearly half were prepared to contribute **at least** 25 percent. I want to emphasize that we recognize that there are certain circumstances under which a community might not be required to make a financial contribution due to special geographical considerations, and we would be prepared to consider those on a case-by-case basis.

Under this new program:

- **All communities that are now under the EAS program would be eligible for financial assistance for their transportation services, provided that they contribute toward the cost of the service.**

- **Those communities will have the opportunity to enhance their service with more frequency or larger equipment (air or surface) with an additional financial contribution. They may also seek additional financial assistance for other components of their air service plan, such as marketing and other promotional initiatives.**
- **Communities close to jet service (within 100 highway miles of a large or medium hub, 75 from a small hub, or 50 from a non-hub with jet service) would be eligible for surface transportation only, splitting the cost of the service with the Federal government--50/50.**
- **Communities more than 210 miles from the nearest large or medium hub are eligible for any type of air or ground service, with a contribution of at least 10 percent of the cost of the service.**
- **All other communities are eligible for any type of air or ground service, with a contribution of at least 25 percent of the cost of the service.**
- **Small communities (small hubs and smaller) not encompassed by the existing EAS program may also seek financial assistance to facilitate their transportation needs, provided that they make a financial contribution of at least 25 percent.**

These changes will require communities to rethink carefully their air transportation needs, as well as the most effective ways of meeting those needs; doing so in some cases will also require making some very tough and unpopular decisions. I also believe that under the new program more participation at the state level will be necessary to assess the services throughout the state in conjunction with other transportation initiatives to ensure a coordinated, effective approach to addressing the state's transportation requirements. I am confident that the reforms proposed by the Administration will better serve small communities, providing them with greater participation, flexibility, and control in tailoring service to their individual needs, and will more effectively direct Federal funds to where they are needed most.

In closing, Mr. Chairman, I want to reaffirm the Administration's commitment to small community transportation. With this proposal, the Administration has taken a necessary and important step to develop a more responsive and efficient system of transportation for smaller communities. We look forward to working with you and members of this committee toward accomplishing these objectives. Thank you again for inviting me today to this hearing. This concludes my prepared statement. I will be happy to answer any of your questions.